

Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name SUMMIT TOWNSHIP	County JACKSON
Audit Date 3/31/05	Opinion Date 9/18/05	Date Accountant Report Submitted to State: 9/23/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

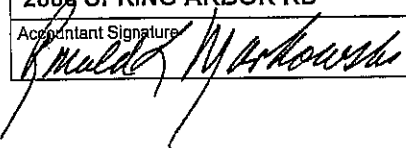
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) MARKOWSKI & COMPANY, CPAs.			
Street Address 2880 SPRING ARBOR RD	City JACKSON	State MI	ZIP 49203
Accountant Signature 		Date 9/18/05	

SUMMIT TOWNSHIP
JACKSON COUNTY, MICHIGAN

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED MARCH 31, 2005

SUMMIT TOWNSHIP
ANNUAL FINANCIAL REPORT

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CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTS
ESTATE PLANNING COUNCIL
OF SOUTH CENTRAL MICHIGAN

INDEPENDENT AUDITOR'S REPORT

Summit Township Board
Jackson, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements, of Summit Township, Michigan, (the "Township") as of and for the year ended March 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

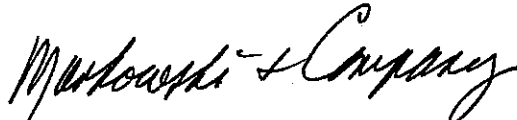
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township at March 31, 2005 and the respective changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15, the Township adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Nos. 34, 37 and 38 and GASB Interpretation No. 6 as of and for the year ended March 31, 2005. This results in a change in the format and content of the basic financial statements.

Management's Discussion and Analysis on pages 3-8 is not a required part of the basic financial statements, but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report
Page Two
Summit Township Board
Jackson, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual fund statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



MARKOWSKI & COMPANY CPAs
September 18, 2005

SUMMIT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMIT TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

As management of Summit Township, we offer the readers of these financial statements this narrative overview and analysis of the financial activities of Summit Township for the fiscal year ended March 31, 2005.

Summit Township is implementing the new Governmental Accounting Standards Board Statement No. 34 reporting requirement for the first time this year. Known as GASB 34, the new reporting requirement includes management's discussion and analysis of Township finances. On a go forward basis this should provide a comparative analysis between the current year and prior year financial information. However, as this is the first year of implementation, the prior year financial information is not available in the GASB 34 format. The Governmental Accounting Standards Board has recognized this, and does not require comparative analysis in the first year of implementation.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Summit Township as a Whole

The Township has combined net assets of \$28,233,097. A substantial portion of the Township's net assets (73%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment and infrastructure such as water and sewer lines and payments for road construction); less any related debt used to acquire those assets still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Combined net assets decreased by \$715,835, or 2.5% during the year ended March 31, 2005. Looking at governmental activities separately from the business-type activities, we see that net assets decreased \$115,414 this year. Much of this decrease results from a continued decrease in state shared revenues which has been reduced by 10% over the last four years, combined with increasing cost in employee wages and benefits (health insurance and pension).

Business-type activities report a decrease in net assets of \$600,421 this year. Much of this decrease results from increased cost of sewer treatment charges from the City of Jackson (9%) and depreciation on capital assets of \$901,277.

SUMMIT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

Summit Township as a Whole (Continued)

In a condensed format, the following table shows net assets as of March 31, 2005:

	The Year Ended March 31, 2005		
	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 5,142,547	\$ 3,070,019	\$ 8,212,566
Noncurrent assets	2,620,157	21,591,703	24,211,860
Total assets	7,762,704	24,661,722	32,424,426
Current liabilities	144,369	379,272	523,641
Noncurrent liabilities	218,027	3,449,661	3,667,688
Total liabilities	362,396	3,828,933	4,191,329
Net Assets:			
Invested in capital assets - net of debt	2,620,157	17,872,521	20,492,678
Restricted	-	-	-
Unrestricted	4,780,151	2,960,268	7,740,419
Total net assets	\$ 7,400,308	\$ 20,832,789	\$ 28,233,097

SUMMIT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

Summit Township as a Whole (Continued)

The following table shows the changes in net assets during the year ended March 31, 2005:

	The Year Ended March 31, 2005		
	Governmental Activities	Business-Type Activities	Total
Program Revenues			
Charges for Services	\$ 151,442	\$ 2,932,576	\$ 3,084,018
Operating grants and Contributions	-	-	-
Capital grants and Contributions	-	5,780	5,780
General Revenues			
Property Taxes	756,243	-	756,243
State-Shared Revenues	1,554,373	-	1,554,373
Interest Income	85,563	40,890	126,453
Loss on sale of investments	-	(20,500)	(20,500)
Franchise Fees	122,363	-	122,363
Telecommunication Fees	53,146	-	53,146
Other Income	208,605	26,323	234,928
Transfers	(90,000)	-	(90,000)
Total Revenues	<u>2,841,735</u>	<u>2,985,069</u>	<u>5,826,804</u>
Program Expenses			
Legislative	134,048	-	134,048
General Government	618,864	-	618,864
Public Safety	1,802,987	-	1,802,987
Public Works	139,524	-	139,524
Other Functions	104,483	-	104,483
Depreciation and amortization	157,243	-	157,243
Water and Sewer	-	3,585,490	3,585,490
Total Expenses	<u>2,957,149</u>	<u>3,585,490</u>	<u>6,542,639</u>
Change in Net Assets	<u>\$ (115,414)</u>	<u>\$ (600,421)</u>	<u>\$ (715,835)</u>

SUMMIT TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

Special Note

Operationally, the Township had a difficult year, tragically losing two Township employees; Fire Department Captain Scott Thornton was lost while in the line of duty and Ordinance enforcement Officer Robert Metcalf died suddenly at home. Both men were wonderful human beings as well as valued co-workers in the Township and will be missed.

Governmental Activities

The Township's management has taken actions to reduce expenditures. The Township does not have many options to increase revenue. The Township's total government activity revenues excluding transfers were \$2,931,735 this year. Property taxes were \$756,243 or 26% of the total revenues. Property tax increases are controlled by various State laws that restrict the increase in taxable values to amounts at or below the rate of inflation. State revenue sharing was \$1,554,373 or 53% of total governmental revenue, distribution of this revenue is also controlled by State law. The remaining 21% of governmental activity revenue is comprised mostly of charges for services and investment income. The Township's budget is expended largely on public safety consisting of fire and police protection with expenditures of \$1,646,365 or 55%, and building code enforcement of \$156,622 or 5% of total expenditures. The remaining budget being dedicated to other functions such as elections, assessing, zoning, roads and streets and Township administration. Township management recognizes that at some point in the not too distant future the disparity of flat revenues and the ever increasing cost of public safety must be addressed.

Business-Type Activities

The Township's business-type activities consist of its Water and Sewer funds. Operating revenues of the business-type activities decreased by \$68,730 or 2%. Operating expenses increased by \$170,695 or 5%. Much of the increase in expenses is a result of an administrative fee reimbursing the governmental activities for administration and overhead. While the business-type net assets decreased this past year, the decrease was less than depreciation charged on assets. The Township is currently in the midst of a rate study to determine if water and sewer rates need to be increased to keep pace with the increasing costs of operations, and to set amounts aside for future upgrades and expansion of the current system.

The Township's Funds

The fund financial statements provide a more detailed analysis of the Township's operations, which is focused primarily on the current use of available resources. The Township maintains several funds to help manage money designated for special purposes, as well as to show accountability for certain activities.

The General Fund, the major governmental fund, relates to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State Shared revenues, and from fees charged for various municipal activities and services. The General Fund's fund balance decreased \$211,631 largely due to the transfer of \$300,000 to other funds for Township capital outlay and operations. Total expenditures in the General Fund were \$2,876,050 this year including these fund transfers.

SUMMIT TOWNSHIP MANAGEMENT DISCUSSION AND ANALYSIS

The Township's Funds (Continued)

The revenues of the Township remain steady. Even as State Shared revenues decrease the Township has increased other revenues such as telecommunication fees and local franchise fees, as well as being reimbursed for operating and administrative fees from the Water and Sewer Fund. Total revenue in the General Fund was \$2,664,419 this year, comprised of State Shared revenues \$1,554,373 or 58% and taxes and penalties \$630,473 or 24% with the remaining revenues received from other sources.

The Water and Sewer Fund is used to account for business-like activities provided to the Township's residents. The Township charges for water and sewer service and other related goods and services. Net assets decreased by \$600,421 in large part due to depreciation of \$901,277. Total Operating revenues of \$2,958,899 decreased \$68,730 in part due to fewer new tap on fees.

Total operating expenses of \$3,493,883 increased \$170,695 due in large part to increased cost in sewer treatment expenses. Other major expenses include interest on debt \$90,500, and system maintenance and supplies \$609,246.

The Township maintains several Special Revenue Funds to account for resources set aside for specific purposes as well as Expendable Trust Funds to account for assets held for individuals in a trustee capacity.

General Fund Budgetary Highlights

The original budget adopted for the Township's General Fund projected a \$227,100 decrease in fund balance, with the General Fund transferring \$300,000 to other funds. As the year progressed, and actual events took place an amended budget was adopted to reflect the changing financial picture.

The final General Fund budget projected a \$283,600 decrease in fund balance as changes were made as needed.

Capital Asset and Debt Administration

At the end of the March 31, 2005 fiscal year, the Township had \$23,918,905 invested in its capital assets, net of accumulated depreciation. In the past few years the Township has completed a major addition and renovation project on current Township facilities, as well as a new fire station and public works facilities. In the current year the Township has installed two new warning sirens, established a recycling center, acquired new firefighter equipment to increase safety, and a major capital repair to the existing water and sewer system.

SUMMIT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration (Continued)

A summary of capital assets follows:

	Governmental Activities	Business-Type Activities	Total
	(Net of Accumulated Depreciation)		
Land and improvements	\$ 111,521	\$ 103,236	\$ 214,757
Building and improvements	1,711,173	714,308	2,425,481
Water and Sewer Systems	-	20,385,925	20,385,925
Machinery & equipment	266,004	194,052	460,056
Office equipment	29,285	-	29,285
Vehicles	403,401	-	403,401
	<u>\$ 2,521,384</u>	<u>\$ 21,397,521</u>	<u>\$ 23,918,905</u>

At the end of the year the Township had total debt outstanding of \$3,525,000. The debt represents general obligation bonds from the water and sewer fund.

Economic Factors and Next Year's Budgets and Rates

The Township anticipates that 2005-2006 will present fiscal challenges for the Township with additional reductions in revenue sharing from the State and slight reductions in the Township millage. Regardless, the Township has some significant projects planned or underway which will provide substantial benefits to the Township's residents.

The Township will be installing back-up generators for all sewage lift stations to provide for any unscheduled interruptions. The Township will be updating its fire services by replacing an outdated fire pump vehicle. The Township has generated additional revenues by selling Township cell tower leases. The Township plans on continued improvement of Township roads by partnering with the County Road Commission to pave the remaining gravel roads within the Township.

Along with efficiently carrying out routine management and operating responsibilities, management looks forward to the challenge of these projects and planning for the future of Summit Township.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show our accountability for the money received. If you have questions about this report, or would like additional information, we welcome you to contact the Township Supervisor at 2121 Ferguson Rd, Jackson, Michigan 49203.

SUMMIT TOWNSHIP

BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED MARCH 31, 2005

SUMMIT TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
MARCH 31, 2005

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 3,070,157	\$ 1,800,740	\$ 4,870,897
Investments	1,531,184	800,000	2,331,184
Accounts receivable	4,655	379,013	383,668
Due from other governments	277,125	69,778	346,903
Internal balances	243,535	(191,194)	52,341
Prepaid expenses	15,891	-	15,891
Inventory	-	158,743	158,743
Notes receivable - current	-	9,484	9,484
Special assessment receivable - current	-	43,455	43,455
Total current assets	<u>5,142,547</u>	<u>3,070,019</u>	<u>8,212,566</u>
Noncurrent assets:			
Capital assets not being depreciated	58,022	78,195	136,217
Capital assets being depreciated, net	2,463,362	21,319,326	23,782,688
Notes receivable - long term	-	22,052	22,052
Special assessment receivable - long term	-	155,527	155,527
Bond issuance costs	-	16,603	16,603
Intangible asset - road construction	98,773	-	98,773
Total noncurrent assets	<u>2,620,157</u>	<u>21,591,703</u>	<u>24,211,860</u>
Total assets	<u>7,762,704</u>	<u>24,661,722</u>	<u>32,424,426</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	58,162	165,295	223,457
Accrued payroll	72,112	18,977	91,089
Bonds, notes, and loans payable - current	14,095	195,000	209,095
Total current liabilities	<u>144,369</u>	<u>379,272</u>	<u>523,641</u>
Noncurrent liabilities:			
Bonds, notes, and loans payable - long term	-	3,330,000	3,330,000
Compensated absences	218,027	119,661	337,688
Total noncurrent liabilities	<u>218,027</u>	<u>3,449,661</u>	<u>3,667,688</u>
Total liabilities	<u>362,396</u>	<u>3,828,933</u>	<u>4,191,329</u>
NET ASSETS:			
Invested in capital assets - net of related debt	2,620,157	17,872,521	20,492,678
Unrestricted	4,780,151	2,960,268	7,740,419
Total net assets	<u>\$ 7,400,308</u>	<u>\$ 20,832,789</u>	<u>\$ 28,233,097</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
THE YEAR ENDED MARCH 31, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Legislative	\$ 134,048	\$ -	\$ -	\$ -
General government	618,864	-	-	-
Public safety	1,802,987	140,516	-	-
Public works	139,524	-	-	-
Other functions	104,483	10,926	-	-
Depreciation and amortization	157,243	-	-	-
Total governmental activities	2,957,149	151,442	-	-
Business-type activities				
Water and sewer	3,585,490	2,932,576	-	5,780
Total government	\$ 6,542,639	\$ 3,084,018	\$ -	\$ 5,780

General revenues:

Property taxes
State-shared revenues
Interest income
Loss on sale of investments
Franchise fees
Telecommunication fees
Other income
Transfers
Total general revenues and transfers

Change in net assets
Net assets - Beginning
Net assets - Ending

The accompanying notes are an integral part of the financial statements.

Net (Expenses) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (134,048)	\$ -	\$ (134,048)
(618,864)	-	(618,864)
(1,662,471)	-	(1,662,471)
(139,524)	-	(139,524)
(93,557)	-	(93,557)
(157,243)	-	(157,243)
(2,805,707)	-	(2,805,707)
-	(647,134)	(647,134)
(2,805,707)	(647,134)	(3,452,841)
756,243	-	756,243
1,554,373	-	1,554,373
85,563	40,890	126,453
-	(20,500)	(20,500)
122,363	-	122,363
53,146	-	53,146
208,605	26,323	234,928
(90,000)	-	(90,000)
2,690,293	46,713	2,737,006
(115,414)	(600,421)	(715,835)
7,515,722	21,433,210	28,948,932
\$ 7,400,308	\$ 20,832,789	\$ 28,233,097

SUMMIT TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2005

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 1,236,926	\$ 1,833,231	\$ 3,070,157
Investments	577,320	953,864	1,531,184
Accounts receivable	2,388	2,267	4,655
Prepaid expenses	15,891	-	15,891
Due from other funds	321,727	411	322,138
Due from other governments	267,712	9,413	277,125
Total assets	<u>\$ 2,421,964</u>	<u>\$ 2,799,186</u>	<u>\$ 5,221,150</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 47,402	\$ 10,760	\$ 58,162
Accrued payroll	65,359	6,753	72,112
Due to other funds	-	78,603	78,603
Total liabilities	<u>112,761</u>	<u>96,116</u>	<u>208,877</u>
FUND BALANCES			
Fund balances - Unreserved	2,293,312	2,703,070	4,996,382
- Designated	15,891	-	15,891
Total Fund Balance	<u>2,309,203</u>	<u>2,703,070</u>	<u>5,012,273</u>
Total liabilities, fund equity and other credits	<u>\$ 2,421,964</u>	<u>\$ 2,799,186</u>	<u>\$ 5,221,150</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005**

Total fund balance - total governmental funds	\$ 5,012,273
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. For purposes of this reconciliation capital assets are netted with accumulated depreciation.	2,521,384
The Township has a road agreement with the County Road Commission, to share in the cost of road construction. The Township does not own or maintain these roads and therefore they are not reported in the governmental funds balance sheet. Amount shown net of related amortization.	98,773
The Township's road agreement payments are spread over a five year period. Long term liabilities are not reported in the governmental funds balance sheet.	(14,095)
Accrued leave is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	<u>(218,027)</u>
Net assets of governmental activities	<u><u>\$ 7,400,308</u></u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2005

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES:			
State shared revenues	\$ 1,554,373	\$ -	\$ 1,554,373
Fines and forfeitures	34,274	-	34,274
Interest and rentals	44,537	41,026	85,563
Taxes and penalties	630,473	125,770	756,243
Licenses and fees	196,914	106,242	303,156
Other revenue	203,848	(5,722)	198,126
Total revenues	<u>2,664,419</u>	<u>267,316</u>	<u>2,931,735</u>
EXPENDITURES:			
Current:			
Legislative	134,048	-	134,048
General government	601,441	-	601,441
Public safety	1,656,306	156,622	1,812,928
Public works	-	270,330	270,330
Other functions	184,255	-	184,255
Total expenditures	<u>2,576,050</u>	<u>426,952</u>	<u>3,003,002</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>88,369</u>	<u>(159,636)</u>	<u>(71,267)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	210,000	210,000
Operating transfers (out)	(300,000)	-	(300,000)
Total other financing sources (uses)	<u>(300,000)</u>	<u>210,000</u>	<u>(90,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	<u>(211,631)</u>	<u>50,364</u>	<u>(161,267)</u>
FUND BALANCE - Beginning of year	<u>2,520,834</u>	<u>2,652,706</u>	<u>5,173,540</u>
FUND BALANCE - End of year	<u>\$ 2,309,203</u>	<u>\$ 2,703,070</u>	<u>\$ 5,012,273</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the
Statement of Activities.
Year ended March 31, 2005

Net change in fund balances - total governmental funds

\$ (161,267)

Amounts reported for governmental activities in the statement of activities
are different because:

Government funds report capital outlay as expenditures. However, in the
government wide statement of activities and changes in net assets, the
cost of those assets is allocated over their estimated useful lives as
depreciation expense. This is the amount of capital assets recorded in
the current period.

123,367

Depreciation expense on capital assets is reported in the government-wide
statement of activities and changes in net assets, but they do not require
the use of current financial resources. Therefore, depreciation expense is not
reported as an expenditure in governmental funds.

(154,710)

Governmental funds report road payments to the County Road Commission as
expenditures. However, in the government wide statement of activities and changes
in net assets, the cost of those intangible assets is allocated over their estimated
useful lives as amortization expense.

87,210

Amortization expense on intangible assets is reported in the government-wide
statement of activities and changes in net assets, but they do not require the use
of current financial resources. Therefore, amortization expense is not reported
as an expenditure in governmental funds.

(2,532)

Earned leave expenses reported in the statement of activities do not require the
use of current financial resources, therefore, are not reported as expenditures
in governmental funds.

(7,482)

Change in net assets of governmental activities

\$ (115,414)

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2005

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,800,740
Investments	800,000
Receivables	379,013
Inventory, at cost - Pumps and meters	158,743
Due from other governments	69,778
Notes Receivable - Short-term	52,939
Total current assets	<u>3,261,213</u>

Noncurrent assets:

Land	78,195
Buildings and improvements	775,680
Machinery, equipment and vehicles	1,117,838
Sewer and water lines	38,324,634
Less - Accumulated depreciation	<u>(18,898,826)</u>
Net property, plant and equipment	21,397,521
Notes receivable - Long-term	22,052
Special assessment receivable - Long-term	155,527
Unamortized bond issuance costs	16,603
Total noncurrent assets	<u>21,591,703</u>
Total assets	<u>24,852,916</u>

LIABILITIES

Current liabilities:

Accounts payable	165,295
Accrued payroll	18,977
Due to other funds	191,194
Bonds, notes, and loans payable	195,000
Total current liabilities	<u>570,466</u>

Noncurrent liabilities:

Compensated absences	119,661
Bonds, notes, and loans payable	3,330,000
Total noncurrent liabilities	<u>3,449,661</u>
Total liabilities	<u>4,020,127</u>

NET ASSETS

Invested in capital assets, net of related debt	17,872,521
Restricted	158,743
Unrestricted	2,801,525
Total net assets	<u>\$ 20,832,789</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2005

	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
CHARGES FOR SERVICES:			
Usage charges	\$ 1,135,470	\$ 1,305,400	\$ 2,440,870
Inspection fees	-	3,405	3,405
Tap on charges and connection fees	230,108	47,065	277,173
Total charges for services	<u>1,365,578</u>	<u>1,355,870</u>	<u>2,721,448</u>
 OTHER REVENUES:			
Penalties	13,434	17,465	30,899
Grinder pumps	-	93,250	93,250
Meters and curb boxes	10,282	-	10,282
Reimbursements from other governmental units	24,263	6,926	31,189
Interest - Tap on charges and connection fees	12,244	18,351	30,595
Miscellaneous revenues	13,687	12,636	26,323
Materials and repairs	7,959	6,954	14,913
Total other revenues	<u>81,869</u>	<u>155,582</u>	<u>237,451</u>
 TOTAL OPERATING REVENUES	 <u>1,447,447</u>	 <u>1,511,452</u>	 <u>2,958,899</u>
 ADMINISTRATION EXPENSES:			
Salaries and wages	155,836	155,840	311,676
Employees' social security	13,863	11,837	25,700
Employees' health insurance	30,376	30,335	60,711
Employees' life insurance	311	285	596
Retirement contribution	32,637	32,637	65,274
Office supplies	3,219	3,302	6,521
Computer supplies	10,333	10,945	21,278
Professional services	16,402	6,821	23,223
Telephone	3,228	2,202	5,430
Repairs and maintenance	6,463	13,571	20,034
Administration fee	62,500	62,500	125,000
Insurance	6,363	6,363	12,726
Mowing	2,922	1,483	4,405
Clothing/safety protection	877	806	1,683
Education and training	1,814	455	2,269
Fuel	8,522	7,521	16,043
Total administration expenses	<u>355,666</u>	<u>346,903</u>	<u>702,569</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2005

	WATER	SEWER	TOTAL
PUMPING AND DISTRIBUTION EXPENSES:			
Depreciation	\$ 227,547	\$ 673,730	\$ 901,277
Grinder pumps	-	78,850	78,850
Supplies	197,629	73,075	270,704
Repairs and maintenance	154,840	183,702	338,542
Heat, light and power	90,316	57,653	147,969
Water/sewer purchases	18,813	890,379	909,192
Main tap expenses	94,739	50,041	144,780
Total pumping and distribution expenses	<u>783,884</u>	<u>2,007,430</u>	<u>2,791,314</u>
 TOTAL OPERATING EXPENSES	 <u>1,139,550</u>	 <u>2,354,333</u>	 <u>3,493,883</u>
 OPERATING INCOME (LOSS)	 <u>307,897</u>	 <u>(842,881)</u>	 <u>(534,984)</u>
 NONOPERATING REVENUES (EXPENSES):			
Interest income	37,022	9,256	46,278
Gain(loss) on sale of investments	(16,400)	(4,100)	(20,500)
Interest expense	(90,500)	-	(90,500)
Investment fees	(2,694)	(2,694)	(5,388)
Amortization of bond issuance cost	(1,107)	-	(1,107)
Total nonoperating revenues (expenses)	<u>(73,679)</u>	<u>2,462</u>	<u>(71,217)</u>
 Income (loss) before contributions	 234,218	 (840,419)	 (606,201)
 CAPITAL CONTRIBUTIONS	 <u>-</u>	 <u>5,780</u>	 <u>5,780</u>
 Change in net assets	 234,218	 (834,639)	 (600,421)
 Total net assets - beginning of year			 <u>21,433,210</u>
 Total net assets - end of year			 <u>\$ 20,832,789</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
PROPRIETARY FUND STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2005

	<u>WATER AND SEWER FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,723,162
Payments to suppliers	(2,226,773)
Payments to employees	(322,329)
Cash received from other funds	235
Cash paid to other funds	(240,649)
Other receipts (payments)	237,451
Net cash provided (used) by operating activities	<u>171,097</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	5,780
Purchase of capital assets	(193,536)
Principal and interest paid on capital debt	(280,500)
Proceeds from notes receivable	56,770
Net cash provided (used) by capital and related financing activities	<u>(411,486)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	77,037
Loss on sale of investments	(20,500)
Investment fees paid	(5,388)
Net cash provided (used) by investing activities	<u>51,149</u>
Net increase (decrease) in cash and cash equivalents	(189,240)
Balances - beginning of year	<u>2,789,980</u>
Balances - end of year	<u><u>\$ 2,600,740</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (534,984)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	901,277
Change in assets and liabilities	
Receivables - net	4,288
Due from other governments	(2,574)
Due from other funds	235
Inventories	78,850
Accounts payable	(24,693)
Due to other funds	(240,649)
Accrued expenses	(10,653)
Net cash provided by operating activities	<u><u>\$ 171,097</u></u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2005

	MEDICAL INSURANCE FUND	SICK PAY FUND	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 308,549	\$ 370,587	\$ 63,494
Investments	187,510	-	-
Interest receivable	28	645	801
Prepaid expenses	12,129	-	-
	<u>508,216</u>	<u>371,232</u>	<u>\$ 64,295</u>
LIABILITIES			
Accounts payable	-	4,055	\$ -
Due to other funds	-	40,720	11,621
Due to other governments	-	-	52,674
Total liabilities	<u>-</u>	<u>44,775</u>	<u>\$ 64,295</u>
NET ASSETS			
Held in trust for employee benefits	<u>\$ 508,216</u>	<u>\$ 326,457</u>	

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED MARCH 31, 2005

	MEDICAL INSURANCE FUND	SICK PAY FUND
ADDITIONS		
Employer contributions	\$ 90,000	\$ -
Retirees medical reimbursements	1,240	-
Interest income	7,297	9,353
Total additions	<u>98,537</u>	<u>9,353</u>
DEDUCTIONS		
Benefits	<u>98,263</u>	<u>50,927</u>
Change in net assets	274	(41,574)
Net assets - beginning of year	<u>507,942</u>	<u>368,031</u>
Net assets - end of year	<u><u>\$ 508,216</u></u>	<u><u>\$ 326,457</u></u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

SUMMIT TOWNSHIP
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SUMMIT TOWNSHIP
INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS (Continued)

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SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

The accounting methods and procedures adopted by Summit Township conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Township's general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF TOWNSHIP OPERATIONS

Summit Township was organized in 1857 and is located in the center of Jackson County. The Township operates under an elected Board of Trustees and Officers and provides services to its more than 21,500 residents in many areas, including law enforcement, fire protection, water and sewer operations, community enrichment and development, human services, and general administrative services.

B. REPORTING ENTITY

Summit Township is a municipal corporation governed by an elected board of trustees. As required by generally accepted accounting principles, these financial statements present the Township and all entities for which the government is considered financially accountable (component units). Summit Township had no component units during the year ended March 31, 2005.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as a separate column in the fund financial statements.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.

The Township reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Township reports the following nonmajor funds:

The Building and Site Special Revenue Fund accounts for resources set aside for Township capital improvements.

The Public Improvement Special Revenue Fund accounts for resources set aside for Township improvements which cannot be used for general government purposes.

The Equipment Special Revenue Fund accounts for resources set aside for the purchase of equipment.

The Street Lighting Special Revenue Fund accounts for the costs of lighting certain portions of the Township, and the special assessments levied upon benefiting property owners to finance these districts.

The Improvement Revolving Special Revenue Fund accounts for all resources set aside for future capital improvements.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

The Building Code Special Revenue Fund accounts for all activities of the building department. This fund was established to facilitate compliance with Michigan Public Act 245 of 1999, which requires that fees charged bear a reasonable relationship to the costs of operating a building department.

The Township reports the following major proprietary funds:

The Water and Sewer Fund is used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The Township also reports the following fund types:

The Expendable Trust Funds -- Medical Insurance and Sick Pay Funds -- account for assets held for individuals in a trustee capacity.

The Agency Funds -- Trust and Agency and Current and Delinquent Tax Funds -- account for assets held for other governments and individuals in an agency capacity.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards issued by the GASB. The Township has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes levied by the Township.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Township's proprietary funds relates to charges to customers for services provided. The Water and Sewer Fund also recognize the portion of tap on fees intended to recover current costs (e.g. the labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as capital grants and contributions. Operating costs for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is generally the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

E. ASSETS, LIABILITIES, AND NET ASSETS/EQUITY

1. DEPOSITS AND INVESTMENTS

The Township reports cash on hand, demand deposit bank accounts, short term investments with an original maturity of three months or less from the date of acquisition as cash and cash equivalents. Financial instruments not meeting these criteria are reported as investments. The Township reports investments at their fair value.

2. RECEIVABLES AND PAYABLES

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

The Township has not established a reserve for uncollectible accounts based on its past experience.

The Township records various receivables which are listed and described as follows:

- 1) Accounts - The accounts receivable in the general, special revenue, and enterprise funds are charges for services, which have been billed but not yet received.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

2. RECEIVABLES AND PAYABLES (Continued)

2) Main Tap Fees - The Township records the assessments levied for the water system for which payment will be made with an assessment on the property over a period of years.

3) Connection Fees - The connection fees in the Enterprise Fund represent hook-up charges to the benefited parties for which payment will be made over a number of years.

4) Notes Receivable - The Township records all notes in the appropriate funds as transactions occur.

5) Accrued Interest - Accrued interest is recorded in the Special Revenue Funds and the Water and Sewer Fund for interest earned but not yet received.

6) Special Assessment - The Township records the assessments levied for the sewer system for which payment will be made with an assessment on the property over a period of years.

3. PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses in both government-wide and fund financial statements.

4. INVENTORIES

Inventories are valued at the lower of cost or market, the inventories in the Business type activities consist of grinder pumps and water meters available for sale.

5. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by Township policy as assets with an individual cost or value of \$5,000 or more when acquired and a useful life of three years or more. Purchased assets are recorded at their actual costs. Donated capital assets are reported at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. CAPITAL ASSETS (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Land and Improvements	10-20
Building and Improvements	10-40
Sewer and Water Systems	10-50
Machinery and equipment	5-20
Office Equipment	5
Vehicles	5-20

Depreciation is allocated to the appropriate function in the government-wide financial statements. Assets such as the municipal building, which is a multi-function facility, are allocated to the general government function.

6. ACCRUED LEAVE PAYABLE

The Township policy is to accrue unused sick pay for all employees. However, an employee cannot accrue more than 120 days of sick time. At the end of the fiscal year, all excess accumulated sick leave is paid to the employees at their regular rate of pay. One week's vacation may be carried to the following year. Any unused vacation pay at the fiscal year is paid to the employees at their regular rate of pay. A liability for accrued sick and vacation time has been established in the government-wide financial statements.

7. LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other obligations are reported as liabilities in the appropriate governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. These costs are reported net of accumulated amortization as bond issuance cost.

8. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation (e.g. prepaid expenses) or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:(Continued)

9. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Formal budgetary integration is employed as a management control device during the year for the General Fund and all Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget amounts included in the financial statements are as originally adopted, and the final amended budget adopted by the Township Board. Budget amendments may be adopted by a simple majority vote of the Board at any open meeting of the Board. All appropriations lapse at the end of the fiscal year.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Public Act #621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. In the body of the financial statements, the Township's actual and budgeted expenditures for the budgetary funds (General Operating and Special Revenue Funds) have been shown on a functional basis. The approved budgets of the Township for these funds were adopted to the departmental level. For the year ended March 31, 2005, the Township incurred expenditures in the budgetary funds which were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government - Elections	\$ 44,000	\$ 44,148	\$ (148)
General Government - Township			
Hall and Grounds	102,100	105,609	(3,509)
Other Functions	178,100	184,255	(6,155)
Building Code Fund:			
Employees life insurance	200	208	(8)
Professional services	19,100	20,400	(1,300)
Equipment Fund:			
Capital outlay	29,432	68,566	(39,134)

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 authorizes the local government unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan.

The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or and agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications and which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township maintains all of its checking and pooled investment accounts with four financial institutions. As a result, the balance in Township accounts which cumulatively exceeds \$100,000 in each institution is not covered by FDIC insurance. The Township believes that it is impractical to insure all bank deposits due to the dollar amounts of Township cash and the limitations of FDIC insurance. The Township evaluates each financial institution with which it deposits government funds and assesses the level of risk; only those institutions with an acceptable level of risk are used as depositories.

Cash and cash equivalents of the Township can be categorized as follows:

	Carrying Amount	Bank Balance
Cash on hand	\$ 200	\$ -
Insured (FDIC)	351,066	351,066
Uninsured and uncollateralized	5,262,261	5,258,672
	<u>\$ 5,613,527</u>	<u>\$ 5,609,738</u>
Reported in financial statements:		
Governmental Funds	\$ 3,070,157	
Proprietary Funds (Business-type)	1,800,740	
Fiduciary Funds	742,630	
	<u>\$ 5,613,527</u>	

The Township has invested cash in excess of current requirements in governmental pooled investment funds, and certificates of deposit which is allowable under State Law.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments of the Township can be categorized as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ -	\$ -
Uninsured and uncollateralized	2,518,694	2,518,694
	<u>\$ 2,518,694</u>	<u>\$ 2,518,694</u>
Reported in financial statements:		
Governmental Funds	\$ 1,531,184	
Proprietary Funds (Business-type)	800,000	
Fiduciary Funds	187,510	
	<u>\$ 2,518,694</u>	

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 31, 2005 are as follows:

FUND	RECEIVABLES	FUND	PAYABLES
General	\$ 321,727	Water and Sewer	\$ 190,783
		Delinquent Tax	134
		Sick Pay	40,720
		Building Code	71,164
		Public Improvement	7,439
		Current Tax	11,487
	<u>321,727</u>		<u>321,727</u>
Building and Site	<u>411</u>	Water and Sewer	<u>411</u>
		Total	
Total	<u>\$ 322,138</u>		<u>\$ 322,138</u>

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year is summarized below:

Asset Category	Balance 03/31/04	Additions	Disposals	Balance 03/31/05
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 58,022	\$ -	\$ -	\$ 58,022
Capital assets, being depreciated:				
Land improvements	-	54,801	-	54,801
Building and improvements	2,233,355	-	-	2,233,355
Machinery and equipment	524,522	58,890	-	583,412
Office equipment	37,397	9,676	-	47,073
Vehicles	777,472	-	-	777,472
Total capital assets being depreciated	3,572,746	123,367	-	3,696,113
Less - Accumulated Depreciation:				
Land improvements	\$ -	\$ (1,302)	\$ -	\$ (1,302)
Building and improvements	(467,039)	(55,143)	-	(522,182)
Machinery and equipment	(275,034)	(42,374)	-	(317,408)
Office equipment	(13,002)	(4,786)	-	(17,788)
Vehicles	(322,965)	(51,106)	-	(374,071)
Total accumulated depreciation	(1,078,040)	(154,711)	-	(1,232,751)
Total capital assets being depreciated, net	2,494,706	(31,344)		2,463,362
Capital assets, net	\$ 2,552,728	\$ (31,344)	\$ -	\$ 2,521,384

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS (Continued)

Capital asset activity for the year is summarized below:

Asset Category	Balance 03/31/04	Additions	Disposals	Balance 03/31/05
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 73,195	\$ 5,000	\$ -	\$ 78,195
Capital assets, being depreciated:				
Land improvements	29,223	-	-	29,223
Buildings and improvements	746,457	-	-	746,457
Machinery and equipment	1,117,417	23,331	(22,910)	1,117,838
Water and Sewer Systems	38,159,429	165,205	-	38,324,634
Total capital assets being depreciated	40,052,526	188,536	(22,910)	40,218,152
Less - Accumulated Depreciation:				
Land improvements	(2,988)	(1,194)	-	(4,182)
Building and improvements	(13,231)	(18,918)	-	(32,149)
Machinery and equipment	(875,686)	(71,010)	22,910	(923,786)
Water and Sewer Systems	(17,128,554)	(810,155)	-	(17,938,709)
Total accumulated depreciation	(18,020,459)	(901,277)	22,910	(18,898,826)
Total capital assets being depreciated, net	22,032,067	(712,741)	-	21,319,326
Capital assets, net	\$ 22,105,262	\$ (707,741)	\$ -	\$ 21,397,521

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
Total depreciation expense, governmental activities	<u>\$ 154,711</u>
Business-Type Activities:	
Total depreciation expense, business-type activities	<u>\$ 901,277</u>

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – NOTES RECEIVABLE

In an effort to encourage a large manufactured housing development to connect to the municipal water system, Summit Township offered to finance the water main tap extensions for the private owners. A formal note exists calling for monthly payments plus interest at 10 percent. The remaining balance of \$31,536 represents the current balance as of March 31, 2005.

NOTE 7 - SPECIAL ASSESSMENTS RECEIVABLE

The Township allowed residents within the special assessment districts the option of paying over a ten to eighteen year period. Interest is charged at 7 to 7.25% over the average bond rate. No allowance for uncollectible accounts has been established as the assessments create a first lien against the assessed property. Past experience has indicated that the receivable will be completely collected.

NOTE 8 - LONG-TERM DEBT

The Township issued bonds to finance the construction of a water system extension. These bonds are general obligation unlimited tax bonds, and pledge the full faith and credit of the Township.

The following is a summary of the Township's long-term debt transactions for the year ended March 31, 2005:

	<u>Balance 03/31/04</u>	<u>Repayments</u>	<u>Additional Debt</u>	<u>Balance 03/31/05</u>
Governmental Activities:				
Township road agreement - Jackson				
County Road Commission	<u>\$ 84,095</u>	<u>\$ 70,000</u>	<u>\$ -</u>	<u>\$ 14,095</u>
Business-Type Activities:				
General Obligation bonds - Summit				
Township 1998 Michigan Municipal				
Bond Authority Michigan Drinking				
Water Revolving Fund Program -				
DPW Bonds issued through the				
State of Michigan. \$4,443,609				
maturing semiannually in annual				
amounts ranging from \$180,000 to				
\$280,000, at an interest rate of 2.50%	<u>\$3,715,000</u>	<u>\$ 190,000</u>	<u>\$ -</u>	<u>\$ 3,525,000</u>

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT (Continued)

Presented below is a summary of debt service requirements to maturity by years:

Year Ending March 31	Business-Type Activities	
	Principle	Interest
2006	\$ 195,000	\$ 85,688
2007	200,000	80,750
2008	205,000	75,688
2009	210,000	70,501
2010	215,000	65,188
Thereafter	2,500,000	324,880
	<u>\$ 3,525,000</u>	<u>\$ 702,695</u>

NOTE 9 - FUND EQUITY

A. RESERVES AND DESIGNATIONS

Board action and requirements of generally accepted accounting principles have reserved and designated portions of fund equity in certain funds, indicating the amount not available for funding current year's activities. These can be summarized as follows:

	General Fund	Proprietary Fund	Fiduciary Funds	Total
Designated:				
Compensated Absences	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,726</u>	<u>\$ 195,726</u>
Reserved:				
For Prepaid expenses	\$ 15,891	\$ -	\$ 12,129	\$ 28,020
For Inventory	-	158,743	-	158,743
	<u>\$ 15,891</u>	<u>\$ 158,743</u>	<u>\$ 12,129</u>	<u>\$ 186,763</u>

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 - PROPERTY TAXES

Real and personal property taxes are levied on December 1st of each year, and are due to the Township by the last day of the following February. The Township is responsible for assessing, collecting and distributing property taxes in accordance with State law. Delinquent real property taxes are paid to the Township by Jackson County. Therefore, the General Fund reflects as revenues the full amount of real taxes levied during the year. The personal property taxes are reflected as revenues in the year collected, which does not materially differ from the full accrual method of revenue recognition.

The Township's operating tax rate for the year ended March 31, 2005 was .8272 mills, levied on property with a Taxable Value of \$328.3 million dollars.

NOTE 11 - PENSION PLAN

Defined Benefit Pension Plan

Substantially all of Summit Township's employees participate in the Michigan Municipal Employee's Retirement System ("system"), a multiple employer public employee retirement system. The payroll for employees covered by the System for the year ended December 31, 2004 was \$1,400,340 and the Township's total payroll for the year was \$1,588,132.

All Summit Township's full time salaried, union, clerical, and all Board Members are eligible to participate in the System. The System's retirement eligibility, vesting, and benefits are determined as follows:

	<u>NON-UNION</u>	<u>UNION</u>
Retirement Eligibility	Age 60/55 with 8/20 or more years of credited service, respectively	Age 60/50 with 8/25 or more years of credited service, respectively
Vesting	After 8 years of service	After 8 years of service
Benefit Formula	2.5% of Final Average Compensation, multiplied by credited service with a maximum benefit of 80% of the Final 3 years of Average Compensation.	2.5% of Final Average Compensation, multiplied by credited service with a maximum benefit of 80% of the Final 3 years of Average Compensation.

The System also provides death and disability benefits. Benefits are established by state statute. Benefit D-2 was adopted that will provide a retirement allowance for a duty-connected disability.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - PENSION PLAN (Continued)

Defined Benefit Pension Plan (Continued)

Employees are not required to make contributions to the System. However, they may elect to contribute a percentage of their annual compensation. The percent is selected by the member's municipality ranging from 0% to 10% in 0.1% increments.

The "Actuarial Accrued Liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers.

The Actuarial Accrued Liability for Summit Township at December 31, 2004, (the most recent date available) determined through an actuarial valuation performed as of that date. Significant actuarial assumptions used in determining the pension benefit obligation included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% annually after retirement.

At December 31, 2004, for Summit Township, the Actuarial Accrued Liability was \$1,533,511 determined as follows:

Retirees and beneficiaries currently receiving benefits	\$ 3,181,346
Terminated employees not yet receiving benefits	80,385
Current employees -	
Accumulated employee contributions, including	
allocated investment income	147,531
Employer financed	3,351,694
Total Actuarial Accrued Liability	<u>6,760,956</u>
Net assets available for benefits, at actuarial value	
(Market Value is \$5,102,610)	<u>5,227,445</u>
Unfunded (overfunded) actuarial accrued liability	<u><u>\$ 1,533,511</u></u>

During the year ended December 31, 2004, the plan for Summit Township experienced a net change of \$(220,636) in the Unfunded Actuarial Liability. The combined change in the Unfunded Actuarial Liability resulting from benefit changes and revisions in actuarial assumptions is \$0.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - PENSION PLAN (Continued)

Contributions Required and Contributions Made

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The payments for the fiscal year ended March 31, 2005 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the Unfunded Actuarial Liability.

The annual required and actual contribution as of December 31, 2004 was \$257,906.

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information for the plan's year ended December 31 is presented as follows:

Year	able for Benefits as Percentages of the UAL	UAL as Percent- ages of Annual Payroll	Employer Contributions as Percentages of Annual Payroll	
			Union	Non-Union
1995	81.00%	67.00%	15.26%	14.38%
1996	101.00%	0.00%	9.68%	11.02%
1997	92.00%	31.00%	10.56%	15.24%
1998	89.00%	42.00%	11.20%	15.74%
1999	94.00%	24.00%	10.37%	15.31%
2000	87.00%	56.00%	10.79%	17.75%
2001	80.00%	84.00%	13.89%	19.25%
2002	75.00%	107.00%	14.94%	20.57%
2003	79.00%	91.00%	15.32%	18.70%
2004	77.00%	110.00%	17.11%	19.99%

The report of the annual actuarial valuation at December 31, 2004 covering the participation of Summit Township in the System is available upon request at the Township's office. Information regarding the Michigan Employee Retirement System Financial Statements is also available at the Township's office.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - PENSION PLAN (Continued)

Ten-year historical trend information is included

Valuation Date December 31	Accrued Liabilities	Valuation Assets	Percent Funded (1)/(2)	Unfunded (Overfunded) UAL (2) - (1)	Annual Payroll	UAL as a % of annual Payroll (4)/(5)
1995	2,601,828	2,105,172	81%	496,656	743,151	67%
1996	2,484,374	2,514,170	101%	(29,796)	713,197	0%
1997	3,161,830	2,922,219	92%	239,611	773,015	31%
1998	3,701,082	3,285,874	89%	415,208	992,365	42%
1999	4,029,275	3,777,643	94%	251,632	1,053,768	24%
2000	4,789,794	4,144,852	87%	644,942	1,144,721	56%
2001	5,479,918	4,411,029	80%	1,068,889	1,287,321	83%
2002	5,984,799	4,513,791	75%	1,471,008	1,380,281	107%
2003	6,180,929	4,868,054	79%	1,312,875	1,447,022	91%
2004	6,760,956	5,227,445	77%	1,533,511	1,400,340	110%

Notes: Actuarial assumptions for MERS valuations were revised for 2004 valuations.

Total required life liabilities are reflected in MERS UAL figures beginning in 1984.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - PENSION PLAN (Continued)

NON-UNION

COMPUTED EMPLOYER CONTRIBUTIONS-COMPARATIVE STATEMENT

Valuation Date December 31	Number	Annual Payroll	Employer Contribution as Percent of Payroll	
			Regular Contribution	Minimum Required Contribution
1995	19	377,130	14.38%	14.38%
1996	18	389,874	12.52%	11.02%
1997	21	450,410	15.24%	15.24%
1998	22	578,422	15.74%	15.74%
1999	22	569,197	15.31%	15.31%
2000	21	579,921	17.75%	17.75%
2001	22	680,068	19.25%	19.25%
2002	22	732,890	20.57%	20.57%
2003	23	764,218	18.70%	18.70%
2004	22	731,437	19.99%	19.99%

Notes: Actuarial assumptions were revised for MERS valuations in 2004.

COMPUTED EMPLOYER CONTRIBUTIONS-COMPARATIVE STATEMENT

Valuation Date December 31	Active Members		Employer Contribution as Percent of Payroll	
	Number	Annual Payroll	Regular Contribution	Minimum Required Contribution
1995	11	366,021	15.26%	15.26%
1996	10	323,323	11.00%	9.68%
1997	11	322,605	10.56%	10.56%
1998	12	413,943	11.20%	11.20%
1999	16	484,571	10.38%	10.37%
2000	16	564,800	10.79%	10.79%
2001	15	607,253	13.89%	13.89%
2002	15	647,391	14.94%	14.94%
2003	15	682,804	15.32%	15.32%
2004	15	668,903	17.11%	17.11%

Notes: Actuarial assumptions were revised for MERS valuations in 2004.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 - SEGMENT INFORMATION

The Township maintains the Water and Sewer Enterprise Fund as its only enterprise fund. Segment information for the year ended March 31, 2005 is as follows:

	WATER AND SEWER FUND
Operating revenues	\$ 2,958,899
Depreciation expense	901,277
Operating income (loss)	(534,984)
Operating transfers in	-
Operating transfers out	-
Tax revenues	-
Change in net assets	(600,421)
Capital contributions	5,780
Fixed assets additions	193,536
Fixed assets (deletions)	(22,910)
Net working capital	2,690,747
Total assets	24,852,916
Outstanding long-term liabilities:	
Payable from operating sources	3,525,000
Payable from other sources	-
Total equity	20,832,789

NOTE 13 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2005, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded commercial insurance coverage amounts in any of the past three fiscal years.

NOTE 14 – OTHER POSTRETIREMENT BENEFITS

The Township provides postretirement health benefits for certain retirees and their spouses, as per the requirements of a Township Board resolution. The Township pays 100 percent of the premiums of health coverage for employees and their spouse who retires with 20 years of service and have reached the age of 55 or combination of service and age equaling 80 with a minimum of 15 years of service. Surviving spouses are covered at a single person rate for life or until remarried. These transactions are accounted for in the Medical Insurance Expendable Trust Fund. Expenditures under the plan totaled \$98,263 during the fiscal year ended March 31, 2005, and are funded on a pay as you go basis.

SUMMIT TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

FISCAL YEAR ENDED MARCH 31, 2005

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Beginning of Year Fund Balance	\$ 2,450,990	\$ 2,520,834	\$ 2,520,834	\$ -
STATE SHARED REVENUES:				
Sales tax	1,545,500	1,545,000	1,554,373	9,373
FINES AND FORFEITURES -				
Police fines	29,500	33,000	34,274	1,274
INTEREST AND RENTALS -				
Interest on investments	37,500	31,700	44,537	12,837
TAXES AND PENALTIES:				
Current property taxes	442,700	446,000	447,065	-
Delinquent property taxes	700	1,600	1,599	-
Interest and penalties	23,400	24,000	15,236	-
Administrative fees	151,000	165,900	166,573	-
Total	617,800	637,500	630,473	(7,027)
LICENSES AND FEES:				
Franchise fees	113,000	122,300	122,363	-
Trailer park fees	1,500	1,500	1,660	-
Liquor licenses	8,500	8,800	8,819	-
IFT certificate fees	700	300	350	-
Zoning fees and variance applications	11,000	9,800	10,576	-
Telecommunication fees	26,500	53,000	53,146	-
Total	161,200	195,700	196,914	1,214
OTHER:				
Government grants	19,200	-	-	-
Administrative fees - From other governmental units	24,000	24,300	24,354	-
Administrative fees - From other funds	150,000	125,000	125,000	-
Sewer Letters	6,900	7,400	7,476	-
Miscellaneous	25,600	50,500	47,018	-
Total	225,700	207,200	203,848	(3,352)
Amounts available for appropriation	5,068,190	5,170,934	5,185,253	14,319

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
LEGISLATIVE:				
TOWNSHIP BOARD:				
Salaries and wages	-	-	22,250	-
Employees' social security	-	-	1,455	-
Employees' health insurance	-	-	13,078	-
Employees' life insurance	-	-	364	-
Retirement contributions	-	-	4,689	-
Office supplies	-	-	933	-
Professional services	-	-	46,284	-
Printing and publishing	-	-	4,207	-
Education and training	-	-	15	-
Insurance and bonds	-	-	29,360	-
Membership and dues	-	-	11,413	-
Total legislative	130,400	138,900	134,048	4,852
GENERAL GOVERNMENT:				
TOWNSHIP SUPERVISOR:				
Salaries and wages	-	-	22,906	-
Employees' social security	-	-	1,913	-
Employees' health insurance	-	-	3,072	-
Employees' life insurance	-	-	64	-
Retirement contributions	-	-	4,676	-
Membership and dues	-	-	25	-
Education and training	-	-	1,071	-
Insurance and bonds	-	-	48	-
Total township supervisor	34,500	34,100	33,775	325
ELECTIONS:				
Salaries and wages	-	-	25,831	-
Office supplies	-	-	3,361	-
Maintenance supplies	-	-	14,934	-
Printing and publishing	-	-	22	-
Total elections	45,600	44,000	44,148	(148)

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT: (Continued)				
ASSESSING:				
Salaries and wages	-	-	125,317	-
Employees' social security	-	-	9,986	-
Employees' health insurance	-	-	12,083	-
Retirement contribution	-	-	26,292	-
Employees' life insurance	-	-	208	-
Office supplies	-	-	2,171	-
Printing and publishing	-	-	12	-
Insurance and bonds	-	-	1,869	-
Education and training	-	-	1,128	-
Tax roll preparation	-	-	4,927	-
Computer supplies	-	-	2,652	-
Membership and dues	-	-	175	-
Lease	-	-	6,000	-
Total assessing	198,900	199,500	192,820	6,680
TOWNSHIP CLERK:				
Salaries and wages	-	-	73,775	-
Employees' social security	-	-	5,849	-
Employees' health insurance	-	-	5,485	-
Employees' life insurance	-	-	240	-
Retirement contribution	-	-	11,628	-
Membership and dues	-	-	85	-
Office supplies	-	-	1,410	-
Computer supplies	-	-	77	-
Education and training	-	-	736	-
Insurance and bonds	-	-	273	-
Total township clerk	98,100	105,100	99,558	5,542

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT: (Continued)				
TOWNSHIP TREASURER:				
Salaries and wages	-	-	66,584	-
Employees' social security	-	-	5,227	-
Employees' health insurance	-	-	20,438	-
Employees' life insurance	-	-	208	-
Retirement contribution	-	-	14,162	-
Office supplies	-	-	12,711	-
Computer supplies	-	-	1,962	-
Insurance and bonds	-	-	224	-
Education and training	-	-	785	-
Membership and dues	-	-	230	-
Lease	-	-	3,000	-
Total township treasurer	130,500	129,300	125,531	3,769
TOWNSHIP HALL AND GROUNDS:				
Office supplies	-	-	7,234	-
Computer supplies	-	-	27,673	-
Maintenance supplies	-	-	5,336	-
Public utilities	-	-	17,070	-
Telephone	-	-	4,374	-
Equipment rental	-	-	7,263	-
Maintenance of grounds	-	-	36,659	-
Total township hall and grounds	93,600	102,100	105,609	(3,509)
Total General Government	601,200	614,100	601,441	12,659
PUBLIC SAFETY:				
POLICE DEPARTMENT:				
Salaries and wages	-	-	11,912	-
Employees Social Security	-	-	950	-
Contracted services	-	-	397,555	-
Office supplies	-	-	890	-
Professional services	-	-	6,425	-
Gas and mileage	-	-	1,726	-
Insurance and bonds	-	-	195	-
Telephone	-	-	806	-
Total police department	425,600	428,000	420,459	7,541

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
FIRE DEPARTMENT:				
Salaries and wages	-	-	792,602	-
Employees' social security	-	-	60,347	-
Employees' health insurance	-	-	107,480	-
Employees' life insurance	-	-	1,622	-
Retirement contribution	-	-	118,772	-
Professional services	-	-	63	-
Membership and dues	-	-	812	-
Clothing and safety gear	-	-	10,793	-
Office supplies	-	-	4,929	-
Uniforms	-	-	8,396	-
Maintenance supplies	-	-	22,700	-
Vehicle maintenance	-	-	30,159	-
Radio maintenance	-	-	3,455	-
Insurance and bonds	-	-	30,010	-
Public utilities	-	-	11,638	-
Telephone	-	-	3,909	-
Computer supplies	-	-	2,868	-
Education and training	-	-	8,254	-
Employee physicals	-	-	5,467	-
Gas and mileage	-	-	8,571	-
Lease	-	-	3,000	-
Total fire department	1,243,300	1,274,600	1,235,847	38,753
 Total Public Safety	 1,668,900	 1,702,600	 1,656,306	 46,294
 OTHER FUNCTIONS:				
Zoning	-	-	44,727	-
Cemetery	-	-	3,500	-
Sanitary landfill	-	-	19,256	-
Roads and streets	-	-	97,602	-
Board of Appeals	-	-	3,198	-
Planning commission	-	-	4,523	-
Board of Review	-	-	1,325	-
Recreation committee	-	-	1,915	-
Miscellaneous	-	-	8,209	-
Total other functions	143,800	178,100	184,255	(6,155)

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
OTHER FINANCING SOURCES (USES):				
OPERATING TRANSFERS OUT:				
Equipment fund	-	-	150,000	-
Medical Insurance fund	-	-	90,000	-
Building code fund	-	-	60,000	-
Total other financing sources (uses)	300,000	300,000	300,000	-
 Total charges to appropriations	 2,844,300	 2,933,700	 2,876,050	 57,650
 Budgetary Fund Balance - March 31, 2005	 \$ 2,223,890	 \$ 2,237,234	 \$ 2,309,203	 \$ 71,969

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
PENSION SYSTEM SCHEDULE OF FUNDING PROGRESS

SCHEDULE OF FUNDING PROGRESS:

Valuation Date December 31	Accrued Liabilities	Valuation Assets	Percent Funded (1)/(2)	(Overfunded) UAL (2) - (1)
1995	2,601,828	2,105,172	81%	496,656
1996	2,484,374	2,514,170	101%	(29,796)
1997	3,161,830	2,922,219	92%	239,611
1998	3,701,082	3,285,874	89%	415,208
1999	4,029,275	3,777,643	94%	251,632
2000	4,789,794	4,144,852	87%	644,942
2001	5,479,918	4,411,029	80%	1,068,889
2002	5,984,799	4,513,791	75%	1,471,008
2003	6,180,929	4,868,054	79%	1,312,875
2004	6,760,956	5,227,445	77%	1,533,511

SCHEDULE OF EMPLOYER CONTRIBUTIONS:

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2001	178,794	100%
2002	196,871	100%
2003	233,721	100%
2004	257,906	100%

The information presented above was determined as part of the actuarial valuation at the dated indicated. Additional information as of the latest actuarial valuation is as follows:

Actuarial Cost Method	Entry age
Amortization Method	Level percent
Remaining Amortization Period	24 years
Asset Valuation Method	4 year smoothed market
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increases*	4.5%
*Includes Inflation at	3.0%

SUMMIT TOWNSHIP

ADDITIONAL INFORMATION

FISCAL YEAR ENDED MARCH 31, 2005

SUMMIT TOWNSHIP
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
MARCH 31, 2005

	<u>BUILDING AND SITE</u>	<u>PUBLIC IMPROVEMENT</u>
ASSETS		
Cash and cash equivalents	\$ 497,527	\$ 258,775
Investments	-	450,000
Accounts receivable	-	-
Accrued interest receivable	-	475
Due from other funds	411	-
Due from Jackson County	-	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 497,938</u>	<u>\$ 709,250</u>
 LIABILITIES AND FUND BALANCE		
Accounts payable	\$ -	\$ -
Accrued wages	-	-
Due to other funds	-	7,439
Total liabilities	<u>-</u>	<u>7,439</u>
 Fund balance - Unreserved	<u>497,938</u>	<u>701,811</u>
 Total liabilities and fund balance	<u>\$ 497,938</u>	<u>\$ 709,250</u>

The accompanying notes are an integral part of the financial statements.

EQUIPMENT	STREET LIGHTS	IMPROVEMENT REVOLVING FUND	BUILDING CODE	TOTAL
\$ 601,667	\$ 126,623	\$ 250,000	\$ 98,639	\$ 1,833,231
-	-	503,864	-	953,864
326	-	-	909	1,235
-	-	557	-	1,032
-	-	-	-	411
-	9,413	-	-	9,413
<u>\$ 601,993</u>	<u>\$ 136,036</u>	<u>\$ 754,421</u>	<u>\$ 99,548</u>	<u>\$ 2,799,186</u>
\$ -	\$ 10,760	\$ -	\$ -	\$ 10,760
-	-	-	6,753	6,753
-	-	-	71,164	78,603
-	10,760	-	77,917	96,116
<u>601,993</u>	<u>125,276</u>	<u>754,421</u>	<u>21,631</u>	<u>2,703,070</u>
<u>\$ 601,993</u>	<u>\$ 136,036</u>	<u>\$ 754,421</u>	<u>\$ 99,548</u>	<u>\$ 2,799,186</u>

SUMMIT TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENT FUNDS
MARCH 31, 2005

	<u>BUILDING AND SITE</u>	<u>PUBLIC IMPROVEMENT</u>
REVENUES:		
Property tax	\$ -	\$ -
Permit fees	-	-
Interest	5,099	10,987
Miscellaneous	<u>1,075</u>	<u>-</u>
Total revenues	<u>6,174</u>	<u>10,987</u>
EXPENDITURES:		
Salaries and wages	-	-
Employees' social security	-	-
Employees' health insurance	-	-
Employees' life insurance	-	-
Retirement contribution	-	-
Unemployment taxes	-	-
Office supplies	-	-
Professional services	75	-
Memberships and dues	-	-
Insurance and bonds	-	-
Public works and utilities	-	-
Telephone	-	-
Education and training	-	-
Computer supplies	-	-
Miscellaneous	8,261	-
Lease	-	-
Capital outlay	<u>54,801</u>	<u>7,439</u>
Total expenditures	<u>63,137</u>	<u>7,439</u>
EXCESS OR REVENUES OVER (UNDER) EXPENDITURES	<u>(56,963)</u>	<u>3,548</u>
OTHER FINANCING SOURCES:		
Operating transfers in	-	-
Operating transfers out	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(56,963)	3,548
FUND BALANCE -		
Beginning of year	<u>554,901</u>	<u>698,263</u>
FUND BALANCE -		
End of year	<u>\$ 497,938</u>	<u>\$ 701,811</u>

The accompanying notes are an integral part of the financial statements.

EQUIPMENT	STREET LIGHTS	REVOLVING FUND	BUILDING CODE	TOTAL
\$ -	125,770	\$ -	\$ -	\$ 125,770
-	-	-	106,242	106,242
9,579	529	14,662	170	41,026
-	-	(6,797)	-	(5,722)
9,579	126,299	7,865	106,412	267,316
-	-	-	90,279	90,279
-	-	-	7,225	7,225
-	-	-	3,900	3,900
-	-	-	208	208
-	-	-	18,555	18,555
-	-	-	42	42
1,668	-	-	631	2,299
-	-	-	20,400	20,475
-	-	-	720	720
-	-	-	2,657	2,657
-	129,520	-	908	130,428
-	-	-	1,469	1,469
-	-	-	5,490	5,490
-	-	-	1,138	1,138
-	-	-	-	8,261
-	-	-	3,000	3,000
68,566	-	-	-	130,806
70,234	129,520	-	156,622	426,952
(60,655)	(3,221)	7,865	(50,210)	(159,636)
150,000	-	-	60,000	210,000
-	-	-	-	-
150,000	-	-	60,000	210,000
89,345	(3,221)	7,865	9,790	50,364
512,648	128,497	746,556	11,841	2,652,706
\$ 601,993	\$ 125,276	\$ 754,421	\$ 21,631	\$ 2,703,070

SUMMIT TOWNSHIP
SCHEDULE OF INDEBTNESS
MARCH 31, 2005

<u>WATER AND SEWER ENTERPRISE FUND</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>
GENERAL OBLIGATION BONDS:			
Michigan State Revolving Loan Fund	09/29/98	\$ 4,630,000	2.50%
(Township of Summit) Bonds			2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			2.50%

The accompanying notes are an integral part of the financial statements.

<u>DATE OF MATURITY</u>	<u>PRINCIPAL DUE</u>	<u>INTEREST DUE</u>	<u>FISCAL YEAR TOTAL</u>
10/01/05	195,000	44,063	280,688
04/01/06		41,625	
10/01/06	200,000	41,625	280,750
04/01/07		39,125	
10/01/07	205,000	39,125	280,688
04/01/08		36,563	
10/01/08	210,000	36,563	280,501
04/01/09		33,938	
10/01/09	215,000	33,938	280,188
04/01/10		31,250	
10/01/10	225,000	31,250	284,688
04/01/11		28,438	
10/01/11	230,000	28,438	284,001
04/01/12		25,563	
10/01/12	235,000	25,563	283,188
04/01/13		22,625	
10/01/13	240,000	22,625	282,250
04/01/14		19,625	
10/01/14	245,000	19,625	281,188
04/01/15		16,563	
10/01/15	250,000	16,563	280,001
04/01/16		13,438	
10/01/16	260,000	13,438	283,626
04/01/17		10,188	
10/01/17	265,000	10,188	282,063
04/01/18		6,875	
10/01/18	270,000	6,875	280,375
04/01/19		3,500	
10/01/19	280,000	3,500	283,500
	<u>\$ 3,525,000</u>	<u>\$ 702,695</u>	<u>\$ 4,227,695</u>

MARKOWSKI & COMPANY

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTS
ESTATE PLANNING COUNCIL
OF SOUTH CENTRAL MICHIGAN

September 18, 2005

Board of Trustees
Summit Township

We have audited the general purpose financial statements of Summit Township for the year ended March 31, 2005, and have issued our report thereon dated September 18, 2005. Professional standards require that we provided you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated July 28, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Summit Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Summit Township are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended March 31, 2005. We noted no transactions entered into by Summit Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Summit Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed several audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on Summit Township's financial reporting process. (Adjustments included year end recording of accruals.)

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Summit Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees and management of Summit Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


MARKOWSKI & COMPANY, CPAs

SUMMIT TOWNSHIP
MEMORANDUM OF COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED MARCH 31, 2005

Budgeting Procedures

As disclosed in Note 2, the Township spent amounts in excess of the approved budget during the year ended March 31, 2005. This is a violation of Public Act 621 of 1978. Budget variances of this sort are not unusual in governmental accounting. The Township management has been monitoring and amending the budget as necessary, the budget variances noted were minor when compared to the overall budget of the Township.

Segregation of Duties

Because of the limited size of Summit Township's accounting department, proper segregation of duties cannot be accomplished. This is an inherent weakness in the internal controls of the Township. Township executives - supervisor, clerk and treasurer need to continue exercising appropriate management oversight to compensate for this. The township does segregate duties as much as possible for its size. The solution would be to hire additional employees, which would be an inefficient use of Township resources.

Township Accounting Function

Summit Township has continued to improve its accounting function. Management and staff are to be congratulated on the overall condition of the financial records of the Township. We appreciate the cooperation and attitude of the Township.